

Message Text

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ORIGIN NEA-12

INFO OCT-01 ISO-00 PM-07 AID-20 IGA-02 CIAE-00 INR-10

NSAE-00 RSC-01 DODE-00 TRSE-00 EB-11 COME-00 OMB-01

XMB-07 FRB-02 NSC-07 SPC-03 SS-20 H-03 L-03 /110 R

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FM SECSTATE WASHDC

TO AMEMBASSY TEL AVIV PRIORITY

C O N F I D E N T I A L STATE 046578

E.O. 11652: GDS

TAGS: EAID, MASS, IS

SUBJECT: FMS CREDITS TO ISRAEL IN FY 75

1. DEPT OFFICERS MARCH 7 INFORMED ISRAELI EMBASSY ECON COUNSELOR NAVEH OF USG DECISION MAKE AVAILABLE UP TO FULL DOLS 300 MILLION FMS CREDITS FOR FY 75 AS USG GUARANTEED COMMERCIAL CREDITS. DEPT OFFICERS EXPLAINED DECISION RESORT TO COMMERCIAL FINANCING REQUIRED BY EFFECT OF CONGRESSIONAL APPROPRIATION OF ONLY DOLS 325 MILLION IN NEW OBLIGATION AUTHORITY FOR FY 75 WITH WHICH TO FUND AUTHORIZED WORLD-WIDE FMS PROGRAM OF DOLS 730 MILLION. THUS USG CONSTRAINED TO OBLIGE RECIPIENTS OF FMS CREDIT ASSISTANCE TO RESORT TO COMMERCIAL BANK FINANCING WITH USG GUARANTEE. FMS CREDIT PROGRAM OF DOLS 300 MILLION EAR-MARKED BY CONGRESS FOR ISRAEL WILL REQUIRE DOLS 75 MILLION OF TOTAL DOLS 325 MILLION AVAILABLE TO FUND GUARANTEES. U.S. HAS ONGOING MULTI-YEAR COMMITMENTS TO OTHER COUNTRIES FROM PRIOR YEARS. ALSO SOME COUNTRIES UNABLE OBTAIN COMMERCIAL CREDITS BECAUSE THEIR CREDIT WORTHINESS INSUFFICIENT AND THEREFORE REQUIRE DIRECT USG

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CREDITS. IN SHORT MONEY SIMPLY NOT AVAILABLE FOR USG DIRECT

CREDITS TO ISRAEL.

2. NAVEH RESPONDED THAT EFFECT OF THIS DECISION WAS TO WORSEN TERMS OF ASSISTANCE PROVIDED. HE NOTED THAT FMS CREDIT IN PRIOR YEARS WAS MADE AVAILABLE AT CONCESSIONAL INTEREST RATES WHICH LOWER FROM USG THAN FROM BANKS.

IF GOI MUST RESORT TO COMMERCIAL LENDING THIS YEAR, EFFECT WAS TO DIMINISH IMPORTANCE OF PROGRAM TO WHERE IT COULD NOT REALLY BE TERMED ASSISTANCE. NAVEH SAID HE WOULD TRY TO EXPLAIN BASIS FOR USG DECISION BUT HE ANTICIPATED NEGATIVE GOI REACTION AND POSSIBLY INSTRUCTION TO ISRAELI EMBASSY TO PROTEST STRENUOUSLY. IN REPLY TO NAVEH'S QUESTION IF THERE COULD BE USG SUPPORT TO REDUCE INTEREST RATE, DEPT OFFICERS EXPLAINED THAT USG SUPPORT TO REDUCE INTEREST RATE COULD ONLY BE DONE BY PROVISION OF DIRECT CREDITS WHICH NOT FEASIBLE. NAVEH CONCLUDED THAT GUARANTEED CREDITS WOULD PROBABLY BE SATISFACTORY IF GOI WERE SURE OF OBTAINING DOLLARS 2.2

MILLION ON ACCEPTABLE TERMS. IN REPLY TO QUESTION ON STATUS USG DECISION ON DOLS 2.2 BILLION, DEPT OFFICERS ASSURED NAVEH MATTER PRESENTLY UNDER ACTIVE CONSIDERATION AT SENIOR USG LEVELS. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY ASSISTANCE, MILITARY SALES, BANKS, INTEREST RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE046578
Document Source: CORE
Document Unique ID: 00
Drafter: EWBIZIC:KHA
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740359/aaaacdls.tel
Line Count: 85
Locator: TEXT ON-LINE
Office: ORIGIN NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 20 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 AUG 2002 by elyme>; APPROVED <08 JAN 2003 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FMS CREDITS TO ISRAEL IN FY 75
TAGS: EAID, MASS, IS
To: TEL AVIV
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005